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AICPA Professional Standards: Ethics, Bylaws, Quality control, as of July 1, 1977

American Institute of Certified Public Accountants

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AICPA PROFESSIONAL STANDARDS

VOLUME 2

ETHICS BYLAWS QUALITY CONTROL

AS OF JULY 1, 1977

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Preface

The Voluntary Quality Control Review Program for CPA Firms was approved by Council on October 23, 1976. The program was developed by the special committee on self-regulation.

A quality control review committee has been appointed to implement and administer the program on a continuing basis and to establish policies and procedures for the guidance of CPA firms planning to participate in the program.

Wallace E. Olson, *President*
American Institute of CPAs

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QC Section 100

VOLUNTARY QUALITY CONTROL REVIEW PROGRAM FOR CPA FIRMS

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QC Section 100***Voluntary Quality Control Review
Program for CPA Firms*****Introduction**

.01 An important part of the profession's system of self-regulation is to see that CPA firms maintain adequate systems of quality control. This is necessary because quality control is a vital element of the profession's assurance to the public that a high level of competence is maintained and that every practicable effort is being made to prevent substandard performance on the part of practitioners.

.02 Toward this end, the American Institute of Certified Public Accountants has established a voluntary program of review of quality control maintained by CPA firms in their audit practices. Standards of quality control have also been promulgated for use in conducting such reviews.

.03 The purpose of the program is educational and preventive in nature and is designed to assist firms in developing and implementing adequate systems of quality control in their audit practices as well as assuring firms with existing systems that their quality control meets, in all material respects, the standards of the profession.

.04 To fulfill its dual purpose, the program includes two types of reviews: consulting reviews and compliance reviews. Consulting reviews are intended to assist firms in developing their systems of quality control and in preparing for participation in the program. Compliance reviews are designed to establish that the quality controls of participating firms meet the standards of the profession.

.05 CPA firms that provide accounting services such as preparation of unaudited financial statements but do not conduct audits also participate in the program. Their participation is based on their procedures for complying with professional standards applicable to unaudited financial statements and on their systems of quality control for audit practice which would be placed in effect should they accept audit engagements.

.06 The program provides direct benefits to the participating firms through the application of objective, outside reviews to their quality control policies and procedures. It is reasonable to expect that these reviews will reduce the number of failures in audit performance that might otherwise occur. However, they cannot provide absolute assurance that all mistakes will be avoided. The basic elements of the program are described in the balance of this document.

Administration of Program

.07 The quality control review program, including both consulting reviews and compliance reviews, is administered by a quality control review committee, which establishes policies for implementation of the program. The committee is also responsible for acquainting the business community and general public with the program and the significance of a CPA firm's participation.

.08 As experience is gained, the committee will modify the program to increase its effectiveness. However, the basic features of the plan can be modified only by Council.

.09 The committee is composed of AICPA members in public practice selected to provide a broad representation of the profession. A qualified staff works under the direction of the committee to assist in carrying out the program.

.10 Two subcommittees operate under the direction of the quality control review committee. One subcommittee is charged with administration of compliance reviews of firms with SEC practices. The other subcommittee administers the consulting reviews and compliance reviews for firms with general audit practices. Some members of the subcommittees are drawn from the quality control review committee.

.11 The possibility exists that a disagreement may arise between a firm and its reviewers. If this occurs and the firm is being reviewed by a review team, the dispute may be submitted to the appropriate subcommittee for resolution. If the firm is being reviewed by another firm, this procedure may be followed with the consent of both firms. If a dispute cannot be resolved by the subcommittee, it will be referred for resolution to an ad hoc review committee appointed by the chairman of the board of the AICPA.

Consulting Reviews

General Description

.12 It is expected that some firms will request assistance in organizing their quality control procedures. The following consultation or educational reviews are provided to assist firms in the conduct of their practices or in their preparation for participation in the quality control review program.

.13 The reviews are conducted on a confidential basis. Except for the quality control document review, no written reports are prepared by the review teams. Neither the Institute nor the reviewed firms will disclose that the reviews have taken place. The reviewed firms pay the reviewers' fees and travel expenses.

Quality Control Document Review

.14 The Institute provides a service whereby a firm preparing for participation may send a description of its quality control system to the Institute for review and comment. This service is not intended to be a regular prelude to a quality control review or to be an alternative for the preliminary quality control procedures review described below. Rather, it is a means for a firm to obtain advice on the adequacy of its quality control document. If more than a nominal amount of time is required for this service, the firm is charged a fee.

Preliminary Quality Control Procedures Review

.15 To assist those firms which might want to have others come to their offices to look at their documented procedures and comment on them, a preliminary quality control procedures review program is provided. As is the case with a quality control review, the reviewers make an objective analysis of the documented procedures in the light of the firm's size, organizational structure, and practice philosophies.

.16 The purpose of the preliminary review is to help a firm prepare for participation in the quality control review program by providing an objective evaluation of the adequacy of its procedures and, if necessary, suggestions for revisions. A review provides a measure of comfort to a firm before it files a letter of intent to participate in the program.

.17 These voluntary reviews are made in the firms' offices on a confidential basis. Since a preliminary review is informal and not complete, it is not a substitute for a full-fledged quality control review.

Technical Standards Review

.18 This program provides an in-house post-issuance review of working papers and reports for audit engagements and unaudited financial statement engagements. Through this program, firms can arrange for confidential objective reviews of their application of technical standards as indicated by their engagement working papers and reports.

.19 Checklists for these technical standards reviews which are updated annually may be purchased from the AICPA to assist firms in meeting professional requirements.

General Description of Compliance Reviews

.20 The quality control review program is voluntary and has the following features:

- (1) The program is open to CPA firms with SEC practices or which have a desire to prepare for such practice, to CPA firms with general audit practices, and to those CPA firms that provide accounting services such as preparation of unaudited financial statements.
- (2) A quality control review committee composed of members in public practice administers the program.
- (3) Participation in the program is initiated by a firm's filing a letter of intent with the Institute. The firm states in the letter that it will comply with the provisions of the program and that it will undergo a review of its documented quality control policies and procedures.
- (4) At the inauguration of the program, some months are needed for firms to arrange for their field reviews. Therefore, responses to inquiries regarding the status of participating firms are to be limited to the statement that they have filed a letter of intent, but that no information about completion of field reviews is to be released by the reviewed firms or the Institute until the end of this interim period.
- (5) Field reviews are conducted in accordance with standards approved by the auditing standards executive committee. A review is carried out by one of the following methods at the election of the firm to be reviewed:
 - a. A review team appointed by the committee.
 - b. A CPA firm engaged by the firm under review.
 - c. Some other form of independent review satisfactory to the committee, such as an acceptable plan administered by a state society of CPAs.
- (6) A review includes examination of audit working papers to the extent necessary to determine whether the firm's quality control policies are in compliance with professional standards. The depth of review of working papers for particular engagements is left to the judgment of the reviewers. The review is directed primarily to the key areas of an audit to determine whether in those areas there were well planned and appropriately executed auditing procedures that were documented in accordance with the firm's policies. If the firm has a significant number of engagements for unaudited financial statements, those engagements are also subject to review.

- (7) A firm electing to use a committee-appointed review team agrees to provide qualified personnel for the panel from which reviewers for the reviews of other firms are drawn.
- (8) Upon completion of the review, the review team or reviewing firm prepares a short report stating the results of the review. The report is submitted to the reviewed firm which, at its option, submits the report to the Institute. Such reviews are to be conducted at least once every three years for the firm to continue as a participant.
- (9) For administrative purposes, the Institute maintains a record of firms filing letters of intent and a record of firms submitting reports on the results of reviews. These records are available to the public upon request.
- (10) At its option, a firm may advise its clients of having filed a letter of intent and, subsequently, of the results of the review and that the report of the review is on file at the Institute. Results of reviews are not to be released until the end of an interim period to provide time for the completion of reviews of firms participating in the program at its outset.
- (11) To maintain the program on a self-supporting basis, the following fees are charged to firms:
 - a. An annual participation fee based on the number of the firm's professional personnel. A modest fee covers the administrative cost of the program.
 - b. Fees for reviews conducted by committee-appointed review teams. These fees are based on the per diem rates for the reviewers and their out-of-pocket expenses. Participating firms electing to be reviewed by other firms make their own fee arrangements.
- (12) The committee recognizes that there are differences in the size, structure, and clientele of CPA firms and that quality control procedures will vary according to those characteristics. This program is administered in such a way, however, as to provide a degree of confidence that the participating firms are adhering to applicable professional standards even though they may have varying policies and procedures to achieve such adherence.
- (13) The program is not intended as a means for taking disciplinary action since it is directed toward reviewing the systems of quality control of firms for their compliance with professional standards rather than the performance of individual professional staff members. It relies on the firms to maintain a continuing surveillance of the performance of their professional staff members.

However, in the event serious violations of technical standards are encountered as a by-product of the program and the reviewed firm does not take appropriate corrective action, the reviewers are not precluded from referring such information to the Institute's professional ethics division. Such reference would be discretionary and any decision in that regard would be made in light of the circumstances.

General Procedures for Compliance Reviews

Letter of Intent

.21 A firm advises the committee of its decision to participate in the program by filing a letter of intent with the following features:

- (1) Advice as to the method of review selected.
- (2) The date by which the firm's review will be started and the estimated completion date.
- (3) A statement that the firm has documented policies and procedures for the quality control of its audit practice.

.22 A firm may terminate its participation in the program at any time. Also, a firm's participation is terminated if it fails to submit a report on the results of its field review within the time period specified under the program and consistent with the standards of the program. After termination, the firm can no longer refer to itself as a participating firm although it may apply at any time to renew its participation.

Quality Control Policies and Procedures

.23 A firm's quality control policies and procedures affect the quality of work in the firm's audit engagements. While aspects of quality control apply to all firms, the extent to which policies and procedures apply will depend on a variety of factors, such as the size, number of offices, and organizational structure of the firm, and its philosophy and practice as to the degree of operating autonomy appropriate for its people. A participating firm is required to make available to the review team or reviewing firm its policies and procedures for quality control.

.24 Attached as Appendix A are examples of policies and procedures for a large firm. Smaller firms might implement their quality control measures by means of policies and procedures such as those suggested in Appendix B. Illustrative sets of appropriate policies and procedures for firms of various sizes are to be made available for the guidance of firms that may wish to utilize them.

.25 In developing its quality control policies and procedures, a firm must be guided by Statement on Auditing Standards No. 4 [AU sec-

tion 160], "Quality Control Considerations for a Firm of Independent Auditors." This Statement suggests the following elements of quality control:

- (1) *Independence.* Policies and procedures to provide reasonable assurance that persons at all organizational levels maintain independence in fact and in appearance.
- (2) *Assigning Personnel to Engagements.* Policies and procedures for assigning personnel to engagements to provide reasonable assurance that audit work will be performed by persons having the degree of technical training and proficiency required in the circumstances.
- (3) *Consultation.* Policies and procedures for consultation to provide reasonable assurance that auditors will seek assistance on accounting and auditing questions, to the extent required, from persons having appropriate levels of knowledge, competence, judgment, and authority.
- (4) *Supervision.* Policies and procedures for the conduct and supervision of work at all organizational levels to provide reasonable assurance that the work performed meets the firm's standards of quality.
- (5) *Hiring.* Policies and procedures for hiring to provide reasonable assurance that those employed possess the appropriate characteristics to enable them to perform competently.
- (6) *Professional Development.* Policies and procedures for professional development to provide reasonable assurance that personnel will have the knowledge required to enable them to fulfill responsibilities assigned.
- (7) *Advancement.* Policies and procedures for advancing professional personnel to provide reasonable assurance that the people selected will have the qualifications necessary for fulfillment of the responsibilities they will be called on to assume.
- (8) *Acceptance and Continuance of Clients.* Policies and procedures for deciding whether to accept or continue a client in order to minimize the likelihood of association with a client whose management lacks integrity.
- (9) *Inspection.* Policies and procedures for inspection to provide reasonable assurance that the other procedures designed to maintain the quality of the firm's auditing practice are being effectively applied.

Field Reviews

.26 Field reviews are designed to obtain assurance that a firm's quality control policies and procedures conform to professional standards, are adequately documented, and are being complied with. All participating firms are required to undergo a field review at least once every three years to retain their status as participants.

.27 Reviews are conducted at the mutual convenience of the reviewed firm and the reviewers. To accommodate the normal business cycle of the firms, the reviews are conducted during the months of April through December.

.28 Review team members and reviewing firms are expected to have a knowledge of the type of practice of the firm to be reviewed.

.29 It is the responsibility of the review team or reviewing firm to review the quality control policies and procedures to determine that they provide measures reasonable for the particular firm. The firm is advised of apparent deviations, if any, from specified standards. The reviewed firm is given an opportunity to refute or correct such apparent deviations before completion of the review and issuance of the report.

.30 The field reviews are designed, in part, to ascertain that the firm's internal system of quality control is operating as represented. To accomplish this objective, initial attention is directed to a review of documentation in the firm's administrative files, which in the case of multi-office firms is normally located at the executive office. For example, the executive office probably has statistics, correspondence, and other data relative to procedures regarding client acceptance and retention, hiring, training, promotion, independence, and inspection. In addition, the executive office probably has data useful in judging compliance with the firm's policies with respect to supervision and review and consultation.

.31 Client files relating to selected audit engagements, which are normally located in practice offices, are reviewed. The depth of the review of the working papers for particular engagements is decided by the reviewers. The review is directed primarily to the key areas of an audit to determine whether in those areas there were well planned and appropriately executed auditing procedures that were documented in accordance with the firm's policies.

.32 On occasion, an office of a firm may have legitimate reasons for not permitting the files for a selected engagement to be examined. For example, the financial statements of an engagement may be the subject of litigation or investigation by a government authority or the firm may have been advised by the client that it objects to exposure of the working papers to others, such as the review team. If those making the

field review are not satisfied as to the legitimacy of the explanation, the matter is reported to the firm's managing partner.

.33 In the case of a multi-office firm, the degree of centralization of the firm's quality control affects the relative amount of time to be spent at the executive or practice offices. Practice offices visited are generally representative of the firm's overall audit practice.

.34 *Committee-Appointed Review Teams.* Review teams appointed by the committee are drawn from the panel of reviewers volunteered by the participating firms. Each team is headed by a team captain who organizes the review according to general guidelines prepared by the committee, supervises the reviewers, and prepares a report on the findings of the review. The firm to be reviewed is advised in advance of the names of the reviewers and their firms.

.35 Participating firms electing to undergo field tests conducted by committee-appointed review teams are required to nominate qualified personnel from their firms for the reviewer panel. Reviews of firms having SEC practices are conducted by audit partners and audit managers knowledgeable about current SEC practice. Reviews of firms with general audit practices are conducted by audit partners and other audit personnel experienced in general audit practice. Managers and other nonpartners are utilized only where subject to the supervision of a partner. A profile is submitted for each nominee indicating the extent of audit experience, SEC experience, participation in his firm's internal quality review programs, present responsibilities, and industry or other special expertise.

.36 The members of a review team are drawn from the reviewer panel. Normally only one partner from a firm is selected for a field test team. In selecting reviewers, consideration is given to their experience with firms and practice units of comparable size and types of practice. Reviewers are required to adhere to all standards applicable to professional engagements, including confidentiality of client relationships. Firms being reviewed by review teams are required to pay the per diem fees of the reviewers and their out-of-pocket travel expenses. The committee sets standard per diem fees for this purpose. The fees are not so large that they might become a reviewer's motive for participating in the program, but reasonably compensate the reviewers' firms for the services of their partners and managers. Reviewers receive fees considerably less than their standard professional fees for services rendered to clients. The team captain receives a slightly higher fee in view of his greater responsibility. These lower fees are justified on the grounds that the program is beneficial not only to the participating firms, but also to the accounting profession as a whole and to the indi-

vidual reviewers who gain an educational experience from reviewing the procedures of other firms.

.37 The aggregate fee and out-of-pocket travel expenses are paid by the reviewed firm to the Institute for disbursement to the firms of the members of the review team.

.38 A reviewer is not assigned to the review of an executive or practice office in the same geographic area in which he is engaged in public practice. If only one individual is designated by the team captain to visit a practice office, he must be a partner. However, where more than one team member is involved in a visit to either an executive or practice office, the team members are from different firms and a partner is designated to be in charge of the inspection.

.39 For those reviews conducted by a committee-appointed review team, working papers are retained only until such time as the report on the review has been filed with the Institute or the period for filing the report has elapsed, whichever is earlier.

.40 *CPA Firm-Conducted Field Reviews.* A participating firm may elect to have the field review of its procedures conducted by another CPA firm instead of by a committee-appointed review team. The reviewing firm follows applicable standards for the conduct of field reviews. In the cases of reviews of firms with SEC practices, the reviewing firm must be knowledgeable about current SEC practice.

.41 The CPA firm conducting the review is independent of the reviewed firm. For example, reciprocal reviews by firms are not permitted.

.42 As is the case with a committee-appointed review team, the reviewing firm is responsible for determining that the quality control policies and procedures provide measures reasonable for the particular firm and that they are being complied with.

Reports on Field Reviews

.43 Upon completion of the field review, the review team or the reviewing firm reports on the results of the review to the reviewed firm and provides a written short-form report indicating whether or not the firm was complying with the profession's quality control standards.

.44 The reviewed firm, at its option, submits the short-form report to the Institute to maintain the firm's participant status. A copy of the report is maintained in the files of the Institute and is available for public inspection.

.45 Failure to file a report with the Institute within a three-year period causes a firm to be dropped as a participant. Termination of a firm's participation is not publicized.

APPENDIX A

**Examples of Quality Control Policies and
Procedures for Multi-Office Firms**

.46 This appendix provides examples of quality control policies and procedures for multi-office firms with SEC clients. Specific policies and procedures of a particular firm are based on that firm's overall system of quality control and may not necessarily include all of the examples listed.

.47 Independence

- (1) Notification to personnel as to the names of audit clients and their affiliates having publicly held securities or, as an alternative, reports from personnel as to security holdings.
- (2) Periodic confirmation with personnel that prohibited relationships with clients do not exist.
- (3) Records showing which partners and employees were previously employed by clients or have relatives holding key positions with clients.
- (4) Emphasis on independence of mental attitude in training programs and in supervision and review of work.
- (5) Prohibition of partners and employees from accepting personal benefits from clients which would impair the credibility of their independence in the minds of reasonable persons familiar with the facts.
- (6) Confirmation of independence of personnel upon acceptance of a new client subject to SEC requirements.

.48 Assigning Personnel to Engagements

- (1) Advance planning for the total personnel needs for the firm's audit engagements on an overall basis and for individual practice offices.
- (2) Timely identification of the staffing requirements of specific engagements.
- (3) Time budgets to establish manpower requirements and to schedule field work.
- (4) Procedures for evaluation of an individual's experience and background before assignment to engagements.
- (5) Procedures for determination that an audit team has adequate overall competence in the industry or industries of the client.
- (6) Requirement for rotation of partners and staff on recurring engagements for specific clients.

.49 Consultation

- (1) A research staff to assist in the resolution of practice problems.
- (2) Designation of individuals having expertise in SEC matters to provide advice for reports to be filed with the commission.
- (3) Designation of individuals with expertise in particular industries to provide advice for audits of companies in those industries.
- (4) Maintenance of adequate technical research libraries at executive office and practice offices.
- (5) Referral of questions to a division or group in the AICPA or state CPA society established to handle technical inquiries.
- (6) Requirement that appropriate use be made of available consultants and reference services.

.50 Supervision

- (1) Instructions as to the adequacy of documentation and appropriateness of audit programs in relation to systems of internal control.
- (2) Development and use of audit forms, checklists, and questionnaires.
- (3) Review of working papers by qualified supervisory personnel.
- (4) Pre-issuance reviews of certain reports by partners not otherwise associated with the engagements.
- (5) Requirement that memoranda and working papers explain the basis for resolution of difficult accounting and auditing problems.
- (6) Requirement that federal income tax provision and liability be reviewed by tax department.

.51 Hiring

- (1) Standards or objectives as to minimum academic preparation and accomplishment for recruiting at beginning levels.
- (2) Standards and objectives as to practical experience for advanced positions.
- (3) Background investigations of new personnel.
- (4) Special procedures for new personnel obtained from other than the usual recruitment channels, such as by recruitment of higher level personnel or through merger with or acquisition of an accounting practice, to assure that they become familiar with and conform to the firm's policies and procedures.
- (5) Evaluation of overall recruiting results to determine whether hiring standards are being maintained.

- (6) Instructions to persons involved in recruiting as to the firm's recruiting objectives.

.52 Professional Development

- (1) Instruction of personnel during the performance of engagements.
- (2) Requirement that personnel attend training sessions conducted by the firm, by a college or university, by the AICPA or a state society, or by other organizations whose courses are accepted as meeting continuing professional education requirements.
- (3) Distribution of manuals on the firm's policies and procedures to professional personnel.
- (4) Distribution of statements on current developments in accounting and auditing to professional personnel.
- (5) Programs for the development of specialists, such as industry specialists or computer audit specialists.
- (6) Requirement that all newly employed professional personnel attend a professional orientation program.
- (7) Periodic review of the firm's professional development programs to determine whether they are meeting the firm's needs adequately and are providing for the professional growth of individuals.

.53 Advancement

- (1) Periodic appraisals of the work of assistants.
- (2) Advice to personnel of their evaluations and discussion of their overall progress, strengths, and weaknesses.
- (3) Committees of partners to review and pass on the qualifications of individuals being considered for promotion.
- (4) Encouragement to pass the CPA examination.

.54 Acceptance and Continuance of Clients

- (1) Review of prior year's financial statements before acceptance of new clients.
- (2) Inquiries of third parties having business relationships with a proposed client.
- (3) Inquiry of the predecessor auditor to ascertain whether there were accounting or auditing disagreements or other problems with the client.
- (4) Evaluation of the firm's ability to service a potential client properly with particular reference to industry expertise and size of engagement.

- (5) Periodic evaluations of existing clients and when significant changes in management or ownership or other events suggest that reevaluations would be appropriate.
- (6) Authority for the acceptance or rejection of potential new clients vested in designated partners.

.55 Inspection

- (1) Post-issuance review of reports.
- (2) An inspection program under which teams visit practice offices to review audit engagements.
- (3) Submittal of written inspection reports to the managing partner.
- (4) Evaluation of the overall quality control program for its effectiveness based on the findings of the inspections.
- (5) In lieu of an in-house inspection program, utilization of a quality review program of an association of CPA firms, the AICPA, or a state society.

APPENDIX B

Examples of Quality Control Policies and Procedures for Local CPA Firms

.56 This appendix provides examples of quality control policies and procedures for local firms. Specific policies and procedures of a particular firm are based on that firm's overall system of quality control and may not necessarily include all of the examples listed. Some aspects of the policies and procedures for multi-office firms set forth in Appendix A are applicable to single-office firms of substantial size with SEC clients.

.57 Independence

- (1) Periodic confirmation with personnel that prohibited relationships with clients do not exist.
- (2) Emphasis on independence of mental attitude in supervision and review of work.
- (3) Avoidance of assignment of partners and employees to engagements that would raise independence or conflict-of-interest problems.
- (4) Prohibition of partners and employees from accepting personal benefits from clients, which would impair the credibility of their independence in the minds of reasonable persons familiar with the facts.

.58 Assigning Personnel to Engagements

- (1) Advance planning for the total personnel needs for the firm's audit engagements on an overall basis.
- (2) Timely identification of the staffing requirements of specific engagements.
- (3) Time budgets to establish manpower requirements and to schedule field work.
- (4) Evaluation of an individual's experience and background before assignment to an engagement.

.59 Consultation

- (1) Maintenance of an adequate technical research library.
- (2) Referral of questions to a division or group in the AICPA or state CPA society established to handle technical inquiries.
- (3) Consultation arrangements with other CPA firms having special expertise.

.60 Supervision

- (1) Instructions as to the adequacy of documentation and appropriateness of audit programs in relation to systems of internal control.
- (2) Use of audit forms, checklists, and questionnaires.
- (3) Review of working papers by qualified supervisory personnel.
- (4) Pre-issuance reviews of certain reports by partners not otherwise associated with the engagements.
- (5) Advice to clients that the firm must review before publication all financial statements associated with the firm's report.
- (6) Requirement that memoranda and working papers explain the basis for resolution of difficult accounting and auditing problems.

.61 Hiring

- (1) Standards or objectives as to academic preparation and practical experience for new personnel.
- (2) Background investigations of new personnel.
- (3) Instructions to persons involved in recruiting as to the firm's recruiting objectives.

.62 Professional Development

- (1) Instruction of personnel during the performance of engagements.
- (2) Requirement that personnel attend training sessions conducted by the AICPA or a state society, by a college or university, or by organizations whose courses are accepted as meeting continuing professional education requirements.
- (3) Distribution to personnel of professional literature on current developments in accounting and auditing.
- (4) Orientation of all newly employed professional personnel.
- (5) Records of training sessions attended by personnel and periodic review of those records to determine that the sessions are meeting the firm's needs adequately and providing for the professional growth of the individuals.

.63 Advancement

- (1) Periodic appraisals of the work of assistants.
- (2) Advice to personnel of their evaluations and discussion of their overall progress, strengths, and weaknesses.
- (3) Encouragement to pass the CPA examination.

.64 *Acceptance and Continuance of Clients*

- (1) Review of prior year's financial statements prior to acceptance of new clients.
- (2) Inquiries of third parties having business relationships with a proposed client.
- (3) Evaluation of the firm's ability to service a potential client properly with particular reference to industry expertise and size of engagement.
- (4) Periodic evaluations of existing clients and when significant changes in management or ownership or other events suggest that reevaluations would be appropriate.
- (5) Authority for the acceptance or rejection of potential new clients vested in a designated partner.

.65 *Inspection*

- (1) Post-issuance review of reports.
 - (2) Submission of reports for review to the practice review committee of a state society or the AICPA.
 - (3) Utilization of a quality review program of an association of CPA firms, the AICPA, or a state society.
-